

THE  
**ILLUSION**  
OF COMPETITION

MARKET CONCENTRATION IN ILLINOIS CANNABIS  
2022-2025



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***Standing up a legal cannabis market is work no state has gotten entirely right, and Illinois officials at the state and city level have been at it for seven years. This report critiques the regulatory framework, not the people inside it. The authors respect the difficulty of what they were asked to build.***

## KEY FINDINGS

**Incumbents control the market.** Seventeen incumbent companies hold 20 of the state's 21 large-scale cultivation center licenses and captured nearly 79 cents of every dollar in statewide sales in Q4 2025. These are the multi-state operators (MSOs)<sup>7</sup> and Illinois medical cultivators that controlled production before adult-use legalization began.

**MSOs capture more value than their sales volume warrants.** MSOs moved 42% of units in Q4 2025 but took in 69% of revenue. Independent craft growers moved 27% of units yet earned only 8.1%, converting each unit sold into revenue at one-fifth the rate of MSOs.

**Out-of-state brands are outpacing Illinois independents.** Out-of-state brands grew from 1.3% to 11.9% of market revenue between Q1 2022 and Q4 2025, most entering through contract manufacturing with in-state producers. IL-Independents grew from 0.2% to 8.1% over the same period. Between them, they account for nearly all the share incumbents lost.

**More brands, fewer competitors.** Active brands nearly tripled from 100 to 264 between Q1 2022 and Q4 2025, but the number of parent companies behind them peaked at 91 in Q1 2025 and fell to 79 by Q4 2025. Competitive intensity depends on the number of firms making independent pricing and production decisions, not the number of labels on the shelf.

**Concentration is increasing.** After ten consecutive quarters of year-over-year decline, the parent-level Herfindahl-Hirschman Index (HHI) reversed course and rose in Q3 2025. CR4, the combined share of the four largest firms, climbed from 45% to 47% over the same period. In Q4 2025, the market lost more brands than it gained for the first time in the dataset.

**The equity gap the state identified in 2024 has not closed.** The state's own Disparity Study found that minority- and women-owned businesses held 59% of adult-use dispensary licenses between 2020 and 2023 but earned just 12.5% of dispensary revenue.<sup>8</sup> Three additional years of statewide sales data show that the structural conditions producing that gap remain in place.

**Six avenues of state action, detailed later in this report, would begin to address these conditions.** The 2024 Disparity Study recommended most of them. None have been implemented.

The businesses that entered this market without capital, without incumbency, and without the structural advantages those early licenses conferred, now find themselves in a market whose terms were set before they arrived.

## INTRODUCTION

In 2019, Illinois became the first state to legalize adult-use cannabis through its state legislature rather than by ballot initiative. Governor JB Pritzker signed the Cannabis Regulation and Tax Act (CRTA) into law on June 25, pledging that legalization would produce broadly shared economic benefits.<sup>1</sup> Seven years later, the headline numbers suggest the commitment was met.

Illinois is now the fourth-largest legal cannabis market in the country. Total sales exceeded \$2 billion in 2024 across adult-use and medical channels, generating more than \$490 million in state tax revenue. Since the market opened in January 2020, cumulative sales have surpassed \$9 billion.<sup>2</sup> The state has 244 operational adult-use dispensaries, more than half of them held by social equity licensees.<sup>3</sup> Active brands have grown from 100 in early 2022 to 264 by the end

of the study period. Flower prices have dropped by more than a third. By every topline indicator, Illinois appears to have built a maturing, diversifying legal industry. This report documents why those indicators fail to capture the market's actual competitive structure.

Statewide adult-use revenue fell from \$1.72 billion in 2024 to approximately \$1.6 billion in 2025, even as unit volume rose from 49 million to 52.1 million items sold.<sup>5</sup> Prices compressed while consumer demand held steady. In an expanding industry, new entrants can establish themselves without displacing incumbents; the total pie grows fast enough to accommodate additional firms. When revenue contracts, every dollar a new business earns is a dollar an established competitor loses. Entry becomes zero-sum.

Three forces are driving market contraction. Consumers in border regions are crossing into Michigan and Missouri, where tax burdens are lower. Gas stations and vape shops sell unregulated hemp-derived THC products that siphon demand from the licensed market. A persistent illicit market continues to undercut legal pricing. The state's own 2025 Annual Cannabis Report found that legal purchase rates vary sharply by dispensary proximity and by race. Respondents farthest from dispensaries, and Black non-Hispanic

respondents in particular, reported the lowest rates of exclusive legal sourcing. Price was the most commonly cited reason for buying outside the licensed market.<sup>6</sup>

The concentration documented in the following pages was produced by specific policy choices: a licensing framework that afforded incumbents a multiyear head start, a regulatory apparatus too fragmented to intervene, and a tax architecture that hits small producers hardest.

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***The licensing framework designed to create competition had instead produced a supply chain in which new entrants were customers of the firms whose market share they needed to capture.***

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## **REGULATORY SEQUENCING: HOW THE HEAD START WAS BUILT**

Regulatory sequencing, more than market forces, determined the competitive structure of Illinois's cannabis market. In August 2013, Governor Pat Quinn signed the Compassionate Use of Medical Cannabis Act,<sup>9</sup> which permitted up to 22 large cultivation centers for medical cannabis production. When Governor JB Pritzker signed the CRTA in June 2019, these 22 already-operational medical cultivation centers received early-approval adult-use licenses. This head start proved decisive. Craft growers could not apply for licenses until February 2020, a full month after adult-use sales began.<sup>10</sup> Litigation by unsuccessful applicants then delayed the second round of craft grower licenses until June 2022, six months past the statutory deadline. The first of those licenses did not become operational until October 2022, more than two years after incumbents had begun selling into the adult-use market.<sup>11</sup>

Licensed craft grower<sup>12</sup> revenue was functionally zero for the first six quarters of the dataset. That period corresponds to when licensees were still building out and not yet producing at commercial scale.

Retail licenses replicated the same pattern of statutory promise and administrative lag. Only existing medical dispensaries could get early-approval for adult-use licenses. By the end of 2022, three full years into legal

sales, Illinois had 113 operational adult-use dispensaries. Three of them were social equity licensees.<sup>13</sup> The CRTA mandated 75 new dispensary licenses, many designated for social equity applicants, by May 2020. The state did not select applicants until mid-2021 and did not formally license them until May 2022, nearly three years after incumbents had opened for business.<sup>14</sup>

The combined effect of these cultivation and dispensary delays was a market in which independent retailers, many of them social equity licensees, had to purchase product from the very incumbent cultivators they were supposed to be competing against. The licensing framework designed to create competition had instead produced a supply chain in which new entrants were customers of the firms whose market share they needed to capture.

The most significant regulatory change came in January 2024, when craft grower canopy expanded from 5,000 to 14,000 square feet. The number of brands from independent craft growers jumped from 10 to 19 in Q1 2024 and continued climbing to 60 by Q4 2025, a pace confirming the old cap was the bottleneck. As of April 2026, the state has 21 large cultivation centers producing for both medical and adult-use markets, 89 craft grower licenses of which only 21 are operational, and 274 active adult-use dispensary licenses.<sup>15</sup>

## METHODOLOGY

This report analyzes quarterly retail sales data from the Headset analytics platform, covering Illinois adult-use dispensary transactions from Q1 2022 through Q4 2025.<sup>16</sup> Headset collects point-of-sale data from a panel of retail dispensary partners and extrapolates to approximate statewide totals. This is the same panel-based approach used by NielsenIQ and similar firms in other consumer industries. The specific calibration formula is proprietary. All figures in this report are therefore estimates. Where possible, the authors compared Headset's figures against IDFPR-reported revenue figures. No material discrepancies were identified.

Cannabis Wise Guys (CWG) performed the brand-to-parent attribution that structures the entire analysis. Using IDOA licensee lists, SEC filings, press releases, and direct verification, CWG mapped all 264 active brands in the dataset to the parent company that controls them. Each parent company is classified into one of six operator categories: MSO (multi-state operators), IL-MED (Illinois medical operators), IL-Independent (licensed Illinois craft growers), Out-of-State Brand, Unresolved, and Unknown. The full crosswalk with definitions and documentation of ambiguous cases is in the appendix.

Several classifications required judgment. In every ambiguous case, the authors applied the more conservative assignment, crediting revenue to smaller operator categories rather than to MSOs. The contested cases collectively account for less than one percentage point of total market revenue. Had the calls gone the other way, the concentration figures reported here would be higher, not lower.

The analysis draws on four measures of market position. Revenue share measures the percentage of total market revenue each operator category captures.

Unit share measures the proportional distribution of units sold across operator categories within the Headset panel, regardless of price, and serves as an indicator of relative consumer reach. Because the same panel methodology applies to all operator categories, unit shares are comparable across categories. This holds even where absolute unit counts reflect panel coverage rather than calibrated statewide totals. The ratio between the two reflects pricing power and product mix: an operator that sells primarily concentrates will show a higher revenue-per-unit figure than one that sells primarily flower, even if their prices for comparable products are similar. Flower eighth pricing provides the most direct comparison, measuring the retail price of equivalent products across operator types within a single category. Product-category composition captures how each operator type is positioned across the broader market, showing whether a firm's revenue is concentrated in high-margin categories or spread across lower-margin ones.

The brand-to-parent crosswalk was finalized in May 2026 after additional corporate-ownership verification. The March 2026 preliminary analysis, which informed earlier drafts, attributed several brands differently; the corrections primarily affected the parent count and the distribution of revenue between the MSO and IL-Independent categories. All figures in this report reflect the final mapping.

# MARKET CONCENTRATION FINDINGS

All market share, unit volume, brand count, pricing, and concentration figures below are calculated from the Headset panel data and classifications described above.<sup>17</sup>

## A Licensing Oligopoly<sup>18</sup>

Illinois cannabis production operates as an oligopoly, created by the state's licensing structure and sustained by that structure since legalization. Of the 21 cultivation centers operational in Illinois, 20 are held by the same incumbents that dominated production before adult-use sales began.<sup>19</sup> MSOs operate 16 and Illinois medical operators own four.<sup>20</sup> The structure that preceded legalization is the structure that persists.

Twenty-one craft growers are currently operational, each permitted up to 14,000 square feet of flowering canopy. If every grower used its full allotment, total craft capacity would reach 294,000 square feet. GTI alone controls roughly 420,000 square feet of permitted flowering canopy across two cultivation center licenses, more than all 21 operational craft growers combined.<sup>21</sup> Taken together, the 20 incumbent-held cultivation centers account for approximately 90% of total permitted flowering canopy statewide, with craft grower capacity included in the total.

Illinois's licensing structure deepens this asymmetry. The state permits a single operator to hold up to three grow licenses, in any combination of cultivation center and craft grower permits. An operator holding three cultivation center licenses controls up to 630,000 square feet of flowering canopy. Cresco already holds the maximum.

This analysis relies on capacity figures rather than actual utilization data, which Illinois does not publicly disclose.<sup>22</sup> But that distinction does not change the core market dynamics. In the industrial organization literature, excess capacity held by incumbents deters entry whether or not it is deployed. It signals that any competitive threat can be met with a supply response.<sup>23</sup> The important question for a prospective craft grower is not how much canopy incumbents are using today, but how much they could deploy tomorrow, and whether the entrant can survive the response.

The production advantage doesn't stop at cultivation. Under the CRTA's early-approval provisions, each existing medical dispensary could apply for an adult-use license at its current location and a second license at a nearby site.<sup>24</sup> Incumbents that held the maximum five medical dispensary registrations<sup>25</sup> secured up to ten early-approval adult-use retail locations before any independent or social equity dispensary opened.<sup>26</sup> Those locations, chosen years earlier under less competition for commercial real estate, sit in the highest-traffic corridors in the state. An independent craft grower entering the

market in 2024 faces a forced dependency: it must sell its product through dispensaries it does not own, often operated by the same firms whose flower it competes against on the shelf. The firms that control cultivation also control the storefronts, and the margin that accrues at both levels stays within the same corporate structure.

## Market Structure and Entry

Between Q1 2022 and Q4 2025, active brands in the Illinois cannabis market nearly tripled, from 100 to 264. On its face, that number suggests rapid diversification. But the number of parent companies behind those brands peaked at 91 in Q1 2025 and fell to 79 by Q4 2025.

Competitive intensity in any market depends on the number of firms making independent pricing and production decisions, not the number of brands on the shelf. The average parent company operates 3.3 brands. The ratio fell to 2.6 by mid-2024 as new operators entered the market, then rebounded as the parent count began contracting in 2025 (91 parent companies in Q1 2025, down to 79 by Q4). The pattern echoes the late phase of U.S. beer consolidation: after AB InBev and Molson Coors absorbed the industry, brands on a typical retail shelf held steady or grew while the number of independent firms behind them collapsed.<sup>27</sup> The Illinois cannabis market follows the same structural logic: more brands, fewer parents, a growing share controlled by firms with more reason to coexist than to compete.

Over the study period, combined incumbent revenue share fell from 97.5% to 78.9%. As of Q4 2025, MSOs held 69.4% and IL-MED operators 9.5%. That 18.6-point opening is the first real space independent producers have had since the market launched. But the composition of that opening matters as much as its size.

Out-of-state brands grew from 1.3% to 11.9% of market revenue between Q1 2022 and Q4 2025. Most are California and Colorado labels that enter Illinois through contract manufacturing with in-state producers. IL-Independents grew from 0.2% to 8.1%. Together, they account for nearly all the share incumbents lost. The competitive entry the CRTA was designed to enable has arrived, but much of the value flows out of state. The in-state manufacturer captures a production fee. The brand equity, the product formulation, and the margin accrue to the out-of-state parent.

Following the canopy expansion, the in-state partners in these contracts are increasingly craft growers and social equity operators. A growing number have found market access by producing for national companies rather than building brands of their own. That arrangement generates revenue, but it also creates dependency. The craft grower's income becomes contingent on retaining an out-of-state brand's business rather than on building durable value of its own.

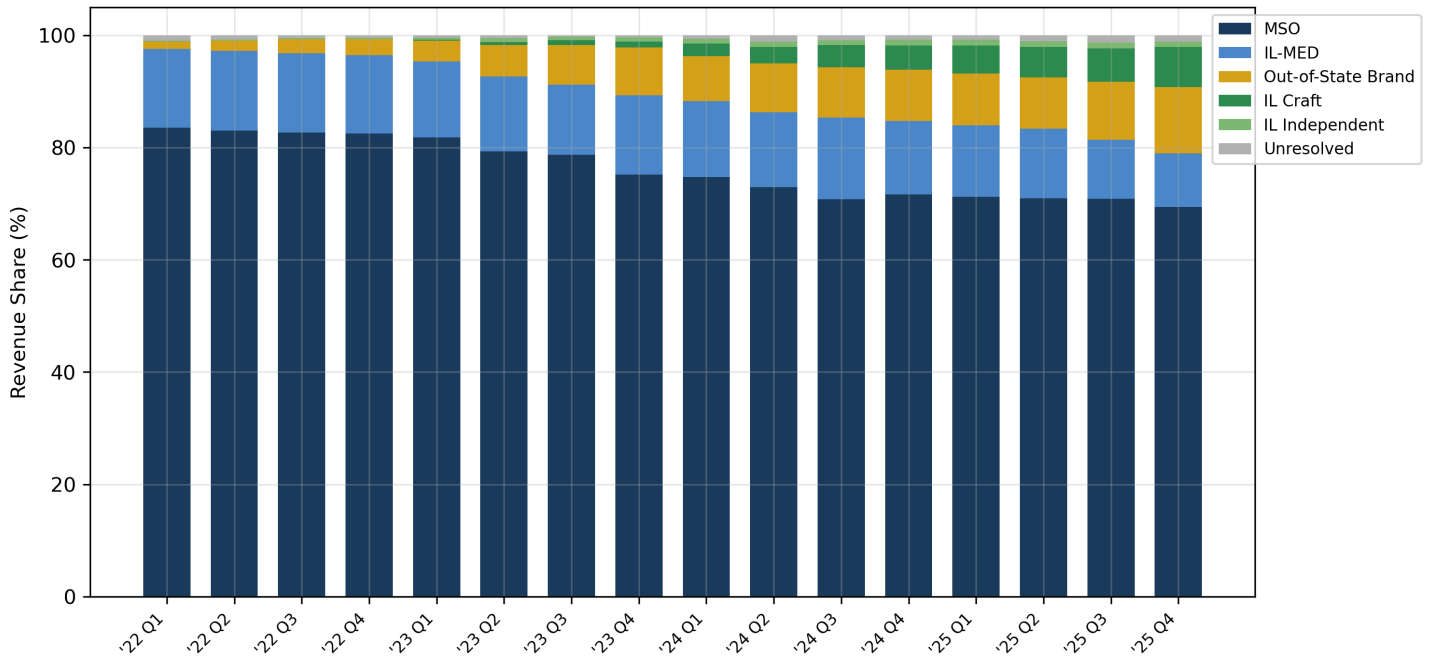
These contract manufacturing relationships are not limited to arrangements between out-of-state brands and in-state producers. They also exist between MSOs. Curaleaf produces Canopy Growth's Wana brand in Illinois under an exclusive licensing agreement inherited through

Curaleaf's July 2020 acquisition of Grassroots Cannabis.<sup>28</sup> The cultivation capacity that regulatory filings attribute to one MSO may be supplying brands that retail data credits to another. Production-side market power concentrates further than the brand-level revenue data alone suggests.

The independent brand count jumped from 5 to 12 in Q1 2024 and continued climbing to 60 by Q4 2025, driven by the January 2024 canopy expansion. But market-wide entry patterns have reversed. New brand entries ran in the mid-to-high twenties from Q4 2023 through Q3 2024, peaking at 27 in Q3 2024. Entry then fell to 17 in Q4 2024, held in the mid-teens through the first three quarters of 2025, and collapsed to 6 in Q4 2025, the first quarter in which the market lost more brands than it gained. The parent company count dropped 13% from its Q1 2025 peak, confirming the pattern. The window of entry that regulatory changes opened is closing. Incumbents hold their position while the weakest new entrants wash out.

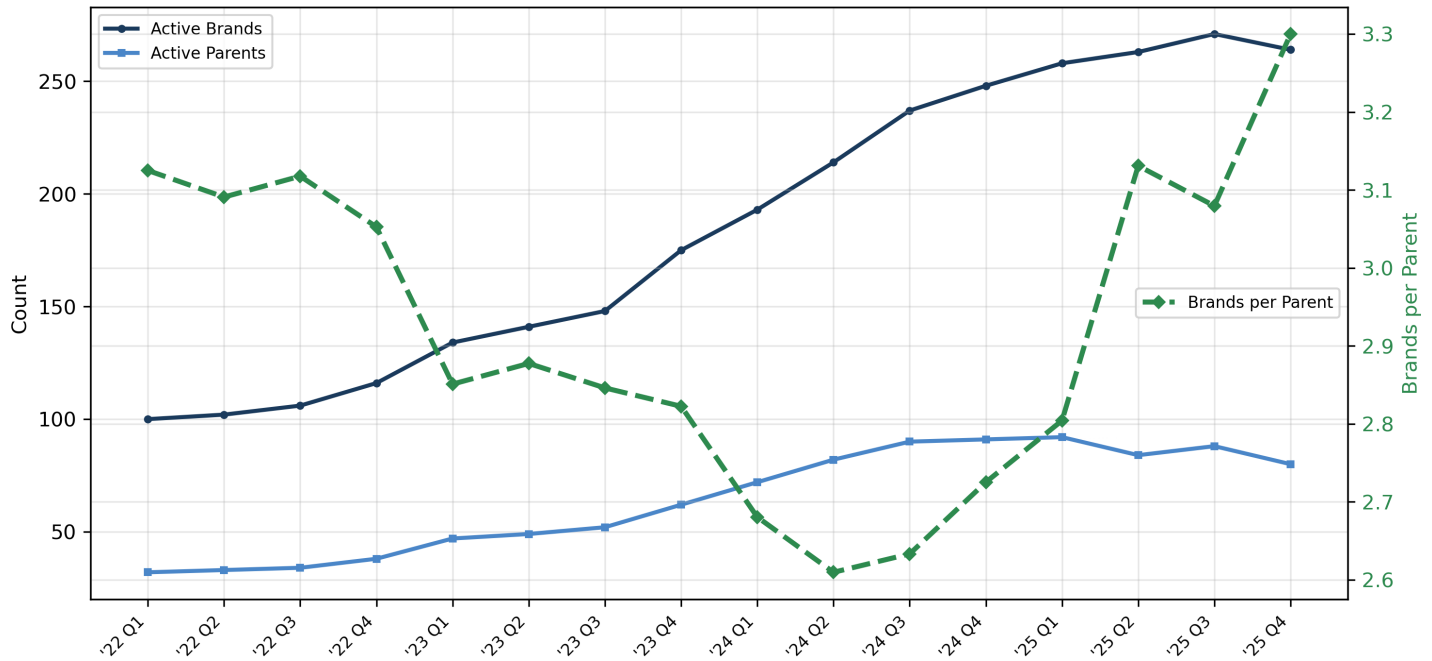
The structural picture is unchanged: incumbents hold overwhelming production advantages, out-of-state brands capture more of the competitive opening than local craft growers, and the total number of parent companies continues to fall.

**FIGURE 1: ILLINOIS FULL MARKET COMPOSITION**



MSO revenue share fell from 84% to 69% between Q1 2022 and Q4 2025. Adding IL-MED operators, total incumbent share dropped from 97% to 79%. IL-Independent brands registered no meaningful revenue share until mid-2023, a period that corresponds to the administrative delay in issuing craft grower licenses.

**FIGURE 2: BRAND COUNT VS. PARENT COUNT**



The recent rebound in brands-per-parent reflects a market entering consolidation. The parent count contracted through 2025 even as shelf presence held.

## Concentration Indices and Trends

The concentration metrics confirm what the entry patterns suggest. Market concentration in Illinois measures radically differently depending on whether one counts brands or the firms behind them.

The Herfindahl-Hirschman Index (HHI), computed at the parent-company level, stood at 752 in Q4 2025 across 79 firms. Treat each of those 264 active brands as an independent competitor and the index drops to 244, well within the “unconcentrated” range under federal guidelines.<sup>29</sup> That lower figure measures how many brands are on the market, not how many firms are competing in it. Map those brands to the 79 parent companies that own them, and the index more than triples. That jump is the arithmetic of multi-brand strategy. GTI holds 18% of market revenue, but because that share is spread across ten brands, a brand-level index counts it ten times at roughly 2% each. The parent-level figure measures what actually matters: how many independent competitors are setting prices.

The parent-level HHI declined from 1,259 in Q1 2022 to 735 in Q4 2024 as craft growers came online and the January 2024 canopy expansion took effect. After ten consecutive quarters of year-over-year decline, the HHI registered its first year-over-year increase in Q3 2025, rising to 771, before

settling at 752 in Q4 2025, still above the Q4 2024.<sup>30</sup>

CR4, the combined share of the four largest parent companies, rose from 45% to 47% over this period. CR8 fell from 67% to 65%. The top four are gaining share specifically from firms ranked fifth through eighth: mid-tier operators losing ground in ways that make them candidates for acquisition or exit. In antitrust practice, this is the pattern that precedes the next round of consolidation. The space for viable mid-sized competitors is shrinking, and the firms positioned to absorb that contraction are the ones that were already largest.

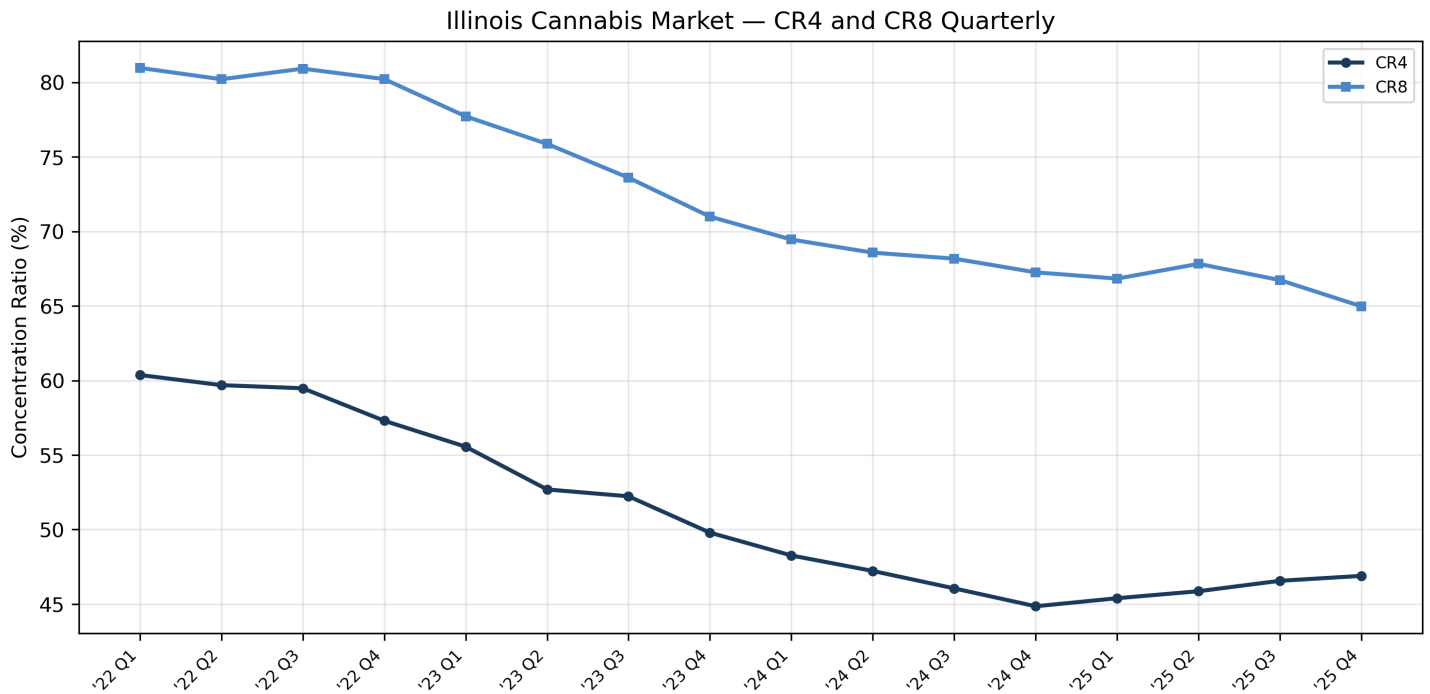
The parent-level HHI remains below the federal “moderately concentrated” threshold of 1,500. But HHI is a horizontal metric. It does not account for the vertical integration that characterizes Illinois cannabis, where the same firms that dominate cultivation also control processing infrastructure and retail access. The trend line carries more weight than the snapshot: after two years of steady decline, concentration is rising again, even after the canopy expansion removed one of the barriers that favored incumbents.

Similar market structures have drawn legal challenges elsewhere. In February 2026, Ohio’s Attorney General sued nine MSOs for coordinated conduct that blocked independent producers from accessing retail shelf space. The defendants include GTI, Cresco, Curaleaf, and Verano, all major Illinois cultivation center operators.<sup>31</sup> In Missouri, two class-action lawsuits filed in May 2026 allege that Good Day Farm used a network of affiliated LLCs to accumulate more than a quarter of the state’s dispensary licenses while coordinating pricing and supply across nominally

independent storefronts.<sup>32</sup> A prior Clayton Act action in the Northern District of Illinois, *True Social Equity in Cannabis v. Akerna Corp.*, alleged interlocking directorates among GTI, Verano, and other operators. The plaintiff voluntarily dismissed the case without prejudice three months after filing, before any responsive pleading.<sup>33</sup>

This report does not allege the same conduct in Illinois. It documents the structural conditions under which the conduct described in these cases becomes rational.

**FIGURE 3: CONCENTRATION INDICES AND TRENDS**



# The Value Gap

The gap between unit share and revenue share is the clearest measure of who controls value in this market. In Q4 2025, MSOs accounted for 42% of all units sold across

Illinois dispensaries but captured 69% of total market revenue.<sup>34</sup> IL-Independents accounted for 27% of units sold and only 8.1% of revenue. IL-Independents have customers, but they are not capturing proportional value.

Product category composition explains this gap. As the next section shows, MSO and IL-Independent flower prices have largely converged,<sup>35</sup> with IL-Independents competing on price in the one category where they have access. The revenue disparity persists because MSOs dominate all product categories that command higher per-unit revenue than flower, such as concentrates, vaporizer cartridges, and branded edibles.

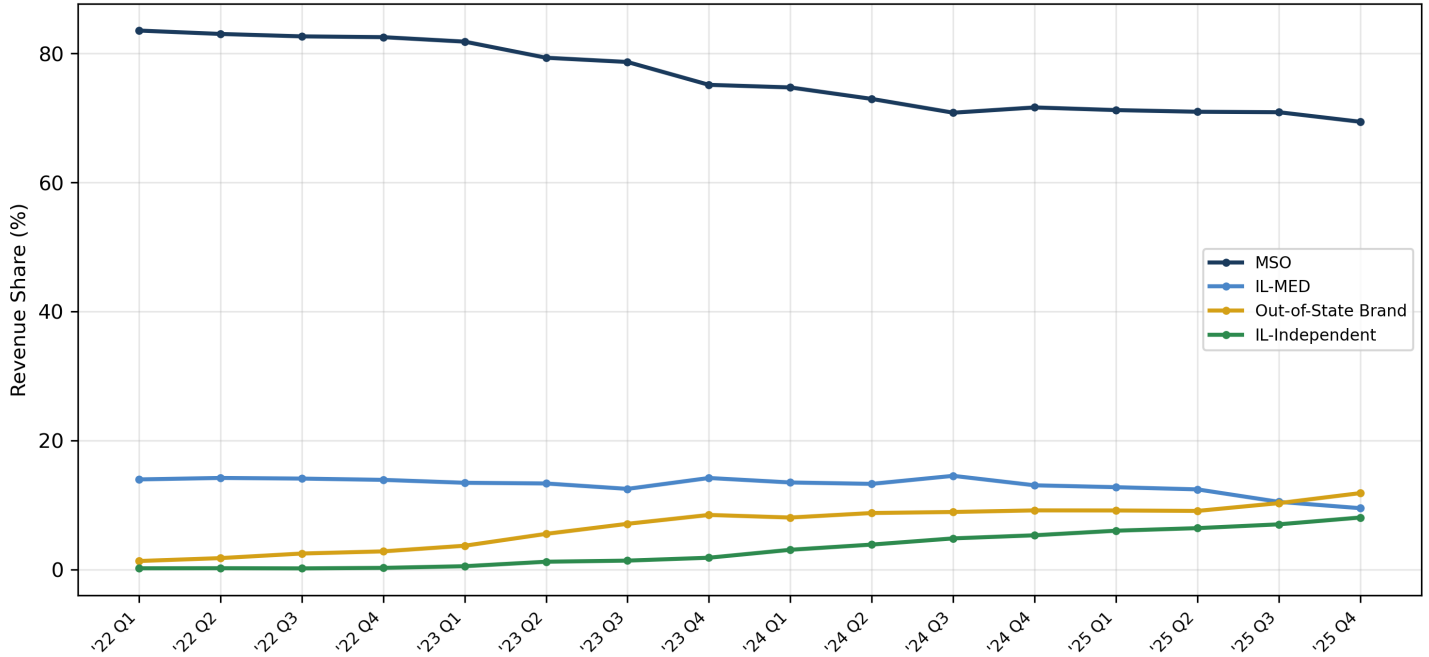
Craft growers are legally permitted to produce these products, but building the processing infrastructure necessary within a 14,000-square-foot facility requires diverting scarce canopy from cultivation, a tradeoff that erodes the flower revenue currently sustaining the business. The capital investment is difficult to justify at that scale, and

the scale itself is a product of the licensing framework.

Capital constraints compound the difficulty, but the regulatory bottleneck is the dominant factor. As of early 2026, the Illinois Department of Agriculture has not issued the standalone processing licenses, separate from the in-facility processing already permitted within a craft grower's own space, that would allow craft growers and infusers to extract cannabis concentrate from flower at commercial scale.<sup>36</sup> This administrative delay is the mechanism that holds the value gap in place, quarter after quarter.

The firms excluded from high-margin categories absorb the direct cost. But the indirect cost falls on consumers. Consumers buying concentrates, cartridges, and edibles pay prices that face no real competitive pressure from independents. Falling flower prices, where IL-Independents do compete, do not offset that dynamic, and even in that one contested category the economics work against them.

**FIGURE 4: REVENUE SHARE BY CATEGORY**



## The Price Trap

Flower is the only product category in which IL-Independent producers compete directly with incumbents. What happens to flower prices is the most direct test of whether competitive opening can sustain itself. MSO eighths declined from \$49.21 in Q1 2022 to \$30.71 in Q4 2025. IL-Independent eighths fell from \$53.61 to \$32.21 over the same period, a nearly identical rate of decline.

In nearly every quarter of the dataset, MSO prices have been lower. This pattern is a direct result of the cost structure the licensing framework created. Incumbents cultivate at scales fifteen times larger than craft growers, distribute through vertically integrated retail networks, and spread fixed compliance costs across far larger revenue bases. IL-Independents, operating within smaller canopy limits, absorb higher per-unit production costs and have less purchasing power for inputs.

MSO wholesale flower prices fell from roughly \$3,270 per pound in Q1 2022 to \$1,965 in Q4 2025, a 40% decline. IL-Independent prices declined at a comparable rate but from a higher starting point, settling at \$2,134, about 9% above the MSO figure. That gap is more punishing as absolute prices compress: a \$169 per-pound disadvantage matters more at \$2,100 than at \$3,400. Retail margins converged across all operator categories to the 41–44% range, so the wholesale cost difference passes almost directly through to the shelf. IL-Independents are being undercut by structurally higher input costs. The licensing framework has no mechanism to close that gap.

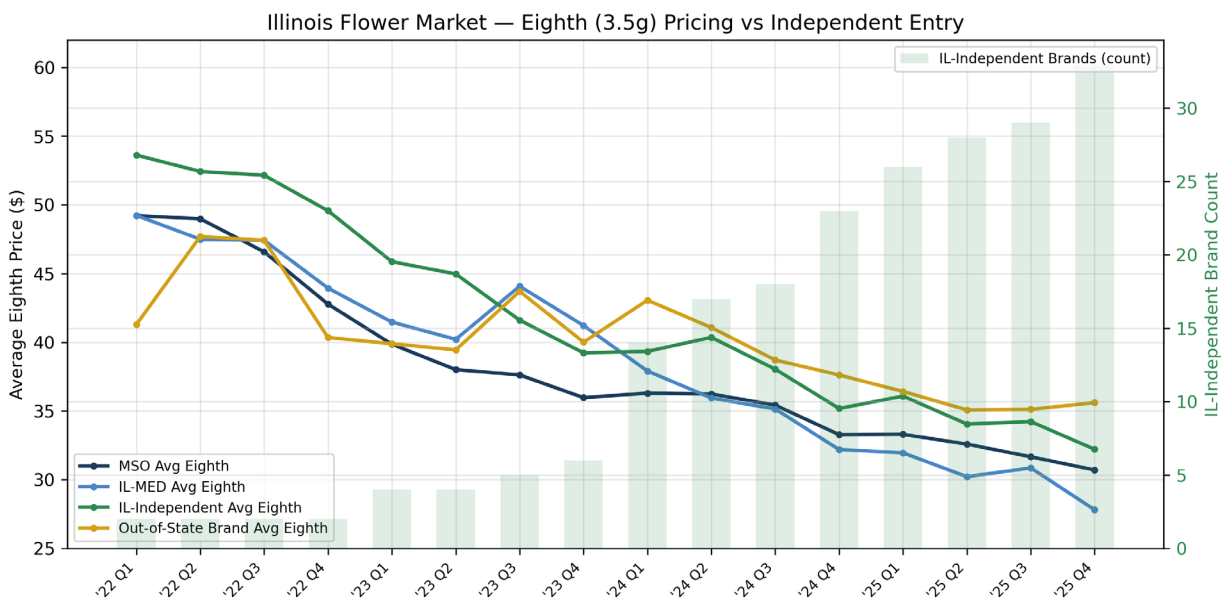
Price compression in a maturing market is normal, and consumers benefit from the decline. But the convergence producing lower prices in Illinois carries a structural risk that ordinary market maturation does not.

MSO dominance of high-margin product categories subsidizes their flower pricing. MSOs can price flower aggressively because margins on concentrates, edibles, and vapes absorb the cost. IL-Independents earn from flower alone. Every dollar lost to price compression comes directly off the bottom line.

The most pronounced price compression in the dataset, Q2 through Q4 2024, coincided with peak IL-Independent brand entry following the January 2024 canopy expansion. Prices fell: the competitive response that theory predicts. But the same theory predicts what follows. When cost-disadvantaged firms compete against cost-advantaged incumbents in a single product segment, the price floor is set by the firm with the lower cost structure. Licensed craft growers can match it only by accepting margins that may not sustain their operations.

Lower flower prices serve consumers today. The question is whether the firms whose entry produced lower prices can survive in a market where they bear the full cost of price competition while their competitors spread it across product categories they cannot access.

### FIGURE 5: PRICING VS INDEPENDENT ENTRY



Flower eighth prices fell across all operator categories from Q1 2022 through Q4 2025. IL-Independent brand entry accelerated after January 2024, when craft grower canopy expanded from 5,000 to 14,000 square feet. The most pronounced price compression (Q2 through Q4 2024) coincided with peak IL-Independent entry, consistent with new competition putting downward pressure on flower pricing.

# INSTITUTIONAL DESIGN FAILURES

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## ***The departments responsible for overseeing this market have less visibility into its structure than an outside analyst with retail panel data and SEC filings.***

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The concentration this report traces was not the product of market forces operating on a level field. Deliberate choices in licensing, regulatory design, and tax architecture combined to entrench the firms that were already largest. These failures reinforce each other.

Cannabis regulation in Illinois is distributed across at least five state bodies.<sup>37</sup> IDOA issues cultivation center and craft grower licenses and administers processing permits. IDFPR issues dispensary licenses and oversees retail compliance. The Department of Public Health registers medical patients. The Department of Commerce and Economic Opportunity administers the social equity loan program. The Cannabis Regulation Oversight Office coordinates among these bodies but lacks independent rulemaking authority or enforcement power.

No single entity owns cannabis market policy, and no single entity is accountable for the competitive outcomes that policy produces.

Institutional economists have a name for this: veto-point proliferation. Each body holds sign-off power over some dimension of the policy environment, so reform requires coordinated action across bodies with misaligned incentives and competing priorities.<sup>38</sup> That coordination is the kind of effort that well-capitalized firms can mount and under-resourced ones cannot. The result is institutional inertia that defaults to the status quo and favors incumbents.

Independent revenue share was flat through 2023 because craft grower facilities were still under construction. The timeline from license issuance to first harvest has routinely run two to three years, a reality the state acknowledged when IDOA extended operational deadlines twice for both cohorts of craft grower licensees.

The 2024 canopy expansion changed the underlying economics. At 5,000 square feet, a craft grower's annual output could supply one or two dispensaries at most. That volume was not enough to maintain consistent product availability, diversify offerings, or build the kind of consumer recognition that sustains a branded product line. At 14,000 square feet, a craft grower could supply a wider retail footprint, hold multiple SKUs on shelves, and begin competing for repeat customers. The pace

of IL-Independent entry that followed, established in the preceding section, confirmed the prior cap was the binding constraint.

The state's failure to issue standalone processing licenses is more consequential than the canopy restriction. The value gap identified in the preceding section traces directly to this bottleneck. IL-Independents cannot access the product categories that generate the highest per-unit margins, and the in-facility processing alternative forces an unworkable tradeoff between cultivation and extraction.<sup>39</sup> The bottleneck persists because no other department has jurisdiction over IDOA's processing permits and the Cannabis Regulation Oversight Office lacks the authority to intervene. The firms most affected by the delay have no mechanism to escalate it.

The second institutional failure is a transparency deficit. Illinois requires the name of the cultivation center or craft grower on product labels, but not the parent company or corporate affiliate that controls it.<sup>40</sup> A consumer at a Chicago dispensary encounters dozens of brands with no way of knowing how many were produced in the same three or four facilities. The divergence between brand-level and parent-level HHI is invisible, both at the point-of-sale and to the regulators responsible for monitoring competitive conditions. Illinois does not publicly disclose production volumes, wholesale transfer data, or brand-to-manufacturer linkages. The departments responsible for overseeing this market have less visibility into its structure than an outside analyst with retail panel data and SEC filings.

A regressive tax system compounds the problem. Illinois layers a 7% wholesale cultivation privilege tax, a tiered purchaser excise of 10%, 20%, and 25% by THC content, a 6.25% state retail tax, and additional local levies.<sup>41</sup> The rates are flat, but the compliance infrastructure they demand, from accounting and auditing to reporting and legal work, amounts to a near-fixed cost. A craft grower absorbs that overhead across a fraction of the revenue an MSO generates. The effective burden, measured against operating margin, lands hardest on the smallest producers.

## IMPLICATIONS FOR SOCIAL EQUITY

This report does not focus on the social equity program as such. Others have documented its delays, litigation, and uneven outcomes. But the market concentration established here undermines a program whose premise was that diversifying licensing would diversify economic participation.<sup>42</sup> During the 2020-2023 period covering the state's Disparity Study, minority- and women-owned businesses held 59% of adult-use dispensary licenses but captured 12.5% of dispensary revenue, a gap of nearly 47 percentage points.<sup>43</sup> That gap reflects the limits of a program that diversified licensing without conferring market power.

Illinois has committed \$55 million in direct, forgivable loans to social equity licensees, one of the largest public investments in cannabis equity of any legal state.<sup>44</sup> That figure is itself a measure of the problem it was meant to address. Opening a single dispensary costs \$1 million or more, with total startup costs reaching \$2 million for many social equity licensees.<sup>45</sup> Adult-use cannabis remains a Schedule 1 substance under federal law, a classification that blocks conventional bank lending and SBA financing. The firms these licensees compete against fund through

corporate debt markets and revenue from multi-state operations. The loan program was never sized to close that gap.

The capital constraint shapes geography. Of the 40 dispensaries operating in Chicago, only four are located in Disproportionately Impacted Areas, the census tracts the state designated based on cannabis arrest rates, poverty, and unemployment.<sup>46</sup> Roughly half of Chicago's dispensary license holders come from those neighborhoods, but their stores are elsewhere.<sup>47</sup> Social equity operators open in wealthier, higher-traffic parts of the city because the margin structure forces them there. The supply-side concentration and wholesale pricing dynamics compress retail margins to the point where only high-income customer bases can sustain operations.

Cannabis arrests in Chicago remain concentrated in those same neighborhoods, and the 2025 Annual Cannabis Report found that new dispensary openings in 2024 did not alter that pattern.<sup>48</sup> The communities that bore the costs of drug enforcement and the communities that lack retail access to the legal market are, largely, the same places.

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## RECOMMENDED ACTIONS

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The state's 2024 Disparity Study identified many of the conditions identified in this report and recommended corrective measures. Six areas of state action, confirmed by both analyses, would begin to address them.

### **Consolidate regulatory oversight into a single department.**

Licensee testimony in the disparity study described uncoordinated inspections, communication failures, and bureaucratic complexity across five state departments. The concentration data revealed a deeper problem: fragmentation functions as a veto-point structure in which any reform requires coordinated action across departments with competing priorities. The canopy expansion, which took four years from proposal to implementation, and the processing licenses that remain unissued are both products of that architecture. A unified cannabis department with rulemaking and enforcement authority would give the state the capacity to act on what both reports have found.

**Mandate parent-company-level data disclosure.** The divergence between brand-level and parent-level HHI, a ratio of more than three to one, is invisible at the point of sale. Illinois requires cultivator names on product labels but not the parent company that controls the cultivator, and does not publicly disclose production volumes, wholesale transfer data, or brand-to-manufacturer linkages. The disparity study recommended unified data systems and expanded collection to address the same visibility gap. Mandatory parent-company disclosure at both the consumer label and regulatory reporting levels is where that effort should begin.

**Issue standalone processing licenses.** The value gap between IL-Independent unit share and revenue share persists because independent producers cannot access the product categories that generate the highest per-unit margins. Nerevu heard the same problem from the supply side: infusers reported that cultivators overcharge for distillate and favor existing relationships.<sup>49</sup> The disparity study recommended that IDOA allow infusers to apply for processor licenses. IDOA has statutory authority. The licenses should be issued.

**Scrutinize management agreements between retailers and producers.** The CRTA's 40% sourcing rule limits the share of inventory any dispensary may source from a single producer, a provision intended to prevent foreclosure of shelf access.<sup>50</sup> That rule governs product sourcing but does not reach management and consulting agreements through which incumbents can influence dispensary purchasing, marketing, and operations without formal ownership. The disparity study documented licensee concerns about being "squeezed out" of controlling stakes by partners.<sup>51</sup> Disclosure requirements and limits on operational control by entities holding cultivation or processing interests would close the gap the sourcing rule leaves open.

### **Restructure the Cannabis Business Development Fund.**

The disparity study found that the CBD Fund, financed solely through licensing fees, lacked both scale and a coherent allocation methodology, and recommended diversified funding weighted toward high-capital-intensive license types. The capital constraints confirm the finding. A recurring, statutorily mandated funding source tied to tax revenue, paired with allocation criteria that weight capital intensity and competitive position, would bring the fund closer to the scale the problem requires.

**Close the canopy gap between craft growers and cultivation centers.** The production concentration detailed in the preceding sections is a direct result of the licensing framework's scale asymmetry. The 2024 canopy expansion produced immediate competitive effects, and the pace of IL-Independent entry confirmed the prior cap was the binding constraint. Further expansion, or the creation of a mid-tier cultivation license between the current craft grower and cultivation center thresholds, is the most direct remedy available.

## CONCLUSION: WHAT THREE YEARS OF INACTION COST

These problems are not new to the State of Illinois. In July 2024, the state's Adult-Use Cannabis Industry Disparity Study identified many of the same structural barriers: fragmented oversight, inadequate data systems, financing gaps, and the processing bottleneck that continues to lock independent producers out of high-margin product categories. The study recommended consolidated administration, unified data collection, restructured development financing, and processing license access for infusers.

That study operated under a specific legal constraint. As a state-commissioned analysis evaluating whether race-conscious remedies could survive strict scrutiny under equal-protection doctrine, Nerevu had to determine whether observed disparities were attributable to discrimination. The study concluded they were not, but the reason was evidentiary, not substantive. M/WBE licenses had not been operational long enough for the sales comparison to carry weight, and the authors described the comparison as "unfair" given the timeline.<sup>52</sup> They recommended a follow-up study in three to five years once more data was available.

This report is not a follow-up. It was not commissioned by the state. It is not bound by the strict scrutiny standard that shaped the disparity study's conclusions. But it supplies what the state's analysis identified as missing: three additional years of statewide sales data. The structural conditions that produced the nearly 47-point gap between M/WBE license share and revenue share during the disparity study period remain in place, and nothing in the market data suggests the gap has meaningfully narrowed.

The report can say what the market data shows clearly enough: the licensing framework, the production scale asymmetry, the processing bottleneck, the tax architecture,

and the transparency deficit are all formally race-neutral, and they combine to ensure that entrepreneurs the CRTA was meant to support cannot capture proportional value from the customers they serve. No individual actor needs to discriminate for the outcome to be inequitable.

This report identifies the problem. The recommended actions identify what the state can do about it. The disparity study proposed most of those measures three years ago. None have been implemented.

These conditions also carry forward-looking risk. MSO and out-of-state brands in Illinois operate across a median of six states. IL-Independent brands operate in one. If federal law evolves to permit interstate cannabis commerce, the excess cultivation capacity MSOs maintain would position them as national suppliers, compounding cost advantages that are already decisive at the state level. The competitive position of single-state producers depends entirely on a regulatory boundary that federal legalization would eliminate.

The concentration in this market traces to policy choices made over the past decade. The state's own disparity study identified many of the necessary corrections three years ago. This report measures what those three years of inaction cost, and what the next decade of federal change will compound.

# APPENDIX

## Key Terms

The following are definitions of commonly used terms that hold a specific meaning in our report.

**Multi-state operators (MSOs):** Vertically integrated operators with cultivation, processing, and dispensary operations across multiple states, typically with a significant national footprint. Within this analysis, MSOs include publicly traded firms (GTI, Cresco, Verano, Curaleaf, Ascend, The Cannabist Co., 4Front, Revolution Global, PTS, Justice Cannabis Co., Aeriz, MariMed, and Acreage Holdings/Canopy Growth) and at least one private MSO (PharmaCann).

**Illinois medical operators (IL-MED):** Large cultivation center licensees, often vertically integrated, that held medical cannabis licenses before adult-use legalization. This category includes Legacy Cannabis, Bedford Grow, nuEra, and Nature's Grace & Wellness. These operators share the structural advantages of MSOs, including early market access and large-scale canopy, but are not publicly traded and do not operate the national-scale corporate structures typical of the major MSOs.

**Incumbents:** The 17 parent companies, comprising MSOs and Illinois medical operators, that hold 20 of the state's 21 cultivation center licenses. These entities controlled cultivation before adult-use legalization and continue to dominate production.

**IL-Independent:** Licensed Illinois craft growers whose IDOA licensee status was verified directly. This category includes only brands produced entirely within Illinois by operators confirmed as independent of MSO or IL-MED ownership. Brands whose independence could not be confirmed are classified as Unresolved.

**White-labeling:** An arrangement in which an entity purchases product from a large cultivator, typically an MSO or IL-MED operator, and sells it under its own brand name. Most of the sales value flows back to the producer in these agreements. White-label brands account for a small share of the market (approximately 0.5% of revenue) but illustrate the dependence of small brands on incumbent production infrastructure.

**Cultivation center:** An entity that holds a medical or adult-use cultivation center license, permitted up to 210,000 square feet of flowering canopy. There are 21 active cultivation centers in Illinois. A single operator may hold up to three grow licenses (any combination of cultivation center and craft grower licenses).

**Craft grower:** An entity that holds a craft grower license, permitted up to 14,000 square feet of flowering canopy (expanded from 5,000 square feet in January 2024). As of April 2026, 89 craft grower licenses have been issued; 21 are operational.<sup>53</sup> Craft growers whose IDOA licensee status and independence were verified are classified as IL-Independent in this analysis. Those whose status could not be confirmed are classified as Unresolved.

## Data Sources

The quantitative analysis in this report is derived from Headset’s proprietary retail point-of-sale software panel data with analysis and brand-to-parent attribution by CWG. Summary statistics, concentration indices, and derived measures are reported throughout the text and appendix. Underlying brand-level market share inputs and quarterly data series are maintained in the authors’ working files and are available on request, subject to the data providers’ terms of use. Inquiries should be directed to the Parabola Center for Law & Policy.

**IL RevShare Quarterly:** Revenue share and unit counts by operator category, by quarter, Q1 2022 – Q4 2025.

**IL HHI Quarterly:** HHI and CR4, active brand count, and parent company count, by quarter. HHI and CR4 are computed at the parent-company level, consolidating all brands under common ownership. A separate brand-level HHI series, treating each brand as an independent competitor, is maintained in the working files.

## Brand-to-Parent Classification Rules

Operator Type Label	Case	Parent Company Label	Brand Examples
MSO	A brand from a vertically integrated MSO that is operating in multiple states	Name of MSO Ex. 4Front, GTI, Verano, Ascend	Rhythm, High Supply, Good Green, Savvy
MSO	A brand from a cultivator with an established grow operation and infrastructure across multiple states	Name of MSO - most often this was Aeriz	Daze Off, 93 Boyz
MSO	A brand that partnered with an MSO to bring their product to the IL market, or white-labels MSO product	MSO partner name + (white-label) Ex. Ascend (white-label)	Miss Grass
IL-MED	A brand from a large medical cultivator ONLY growing in IL Either vertically integrated (ex. nuEra) or solely cultivation (ex. Nature’s Grace and Wellness)	Name of parent company OR license holder + (IL-Med) Ex. nuEra, Nature’s Grace & Wellness, Bedford Grow	Midweek Friday, The Funnies Gummies, Lula’s
IL-Independent	A brand from a licensed craft grower, verified with list of licensees from IDOA that is only produced in IL	Name of licensee holder (where possible) or brand name	Sol Canna, Galaxy
Out-of-State Brand	A brand headquartered outside Illinois that enters the market through manufacturing or licensing agreements with in-state producers. The brand controls formulation and brand equity; the Illinois manufacturer produces under contract.	Brand name	Stiizy
Unresolved	IL brands whose producers are unclear. We could not confirm their independence/licensed status with the list of licensees from IDOA, but we do not have proof that the brand is partnered or associated with an MSO either	Brand name	Frosty’s (IL)
Unresolved	Out-of-state brands whose IL producers are unclear. Like with IL-Independent brands, we could not confirm their independence, but could not definitively map the brand to an MSO either	Brand name	Vapin Ape
Unresolved	Non-domestic brands (usually Canadian) whose IL producers are unclear. Like with the other unresolved brands, we could not confirm their independence, but could not definitively map the brand to an MSO either	Brand name	Sticky Greens
Unknown	Brands for whom we could not find proof of existence beyond data in Headset (website, social media, store affiliation, etc).	Brand name	

**IL Flower Eighth Pricing:** Average flower eighth price by operator category, by quarter.

**IL Q4 2025 Snapshot:** Market composition for the most recent quarter.

**IL Brand-Parent Crosswalk:** Mapping of 264 active brands (Q4 2025) to parent companies and operator categories.  
IL Parent Rankings Quarterly: Parent company revenue rankings by quarter.

**IL Whole Flower Pricing:** Wholesale and retail flower prices (dollars per pound) and retail margin percentages by operator category, by quarter, Q1 2022 – Q4 2025.

**IL Cross-State Brand Movement:** Brand presence across 15 states in the Headset panel, by CWG operator category, with total state count per brand.

## Cultivation Center License Mapping

Cresco operates the greatest number of cultivation centers, with the maximum number of three cultivation center licenses totaling 630,000 square feet of flowering canopy. GTI owns two cultivation center licenses, and Verano, Curaleaf, Ascend, The Cannabist Co., 4Front, Revolution Global, PTS, Justice Cannabis Co., Aeriz, and Acreage Holdings each own one cultivation center. Private MSO PharmaCann owns one cultivation center as well.

Four cultivation centers are owned by the large incumbent medical operators. These include Legacy, Bedford Grow, nuEra, and Nature's Grace and Wellness.

One cultivation center is held by Acreage Holdings, which became a wholly owned subsidiary of Canopy USA, LLC in December 2024. Canopy USA is a Delaware holding company; Canopy Growth Corporation holds a non-voting, non-participating economic interest in Canopy USA but does not consolidate its financial results and lacks operational control under U.S. securities law. Acreage is classified as MSO throughout this analysis. The remaining center is licensed to SCCS Solutions Corporation, a nonprofit rehabilitation organization in Shelbyville. Red White & Bloom announced a definitive agreement to acquire this license in December 2020 but withdrew from the transaction in April 2022 as part of a company-wide restructuring. The license remains with SCCS Solutions, which operates a facility of approximately 23,500 square feet, a fraction of its 210,000-square-foot permitted canopy. SCCS is the only cultivation center not held by an MSO or IL-MED operator.

## Production Concentration Calculations

All calculations assume maximum permitted canopy. Actual utilization is likely lower.

- Total craft grow canopy:  
21 operational sites × 14,000 sq ft = 294,000 sq ft
- Total cultivation center canopy:  
21 sites × 210,000 sq ft = 4,410,000 sq ft
- MSO cultivation center canopy:  
16 sites × 210,000 sq ft = 3,360,000 sq ft
- GTI canopy (2 cultivation centers):  
420,000 sq ft, exceeding total craft grow canopy statewide

## Attribution Edge Cases

Several brand classifications required judgment where ownership or production relationships were ambiguous.

- nuEra has recently expanded retail operations into Kentucky and Michigan. It remains classified as IL-MED here because its Illinois cultivation center license predates adult-use legalization and its Illinois market position during the study period was that of a single-state medical operator.
- Legacy Cannabis operates one of Illinois's original medical cannabis cultivation center licenses, held in the name of NPI Hillcrest Investor Group, LLC. The license predates adult-use legalization. However, Legacy's current operating entity acquired the license after the CRTA's passage, and the brand's commercial product line did not ramp up until 2023. Legacy did not benefit from the multi-year medical head-start that defines the IL-MED category in this analysis: the bulk of its revenue accrues from 2023 onward. Legacy is classified as IL-Independent on the basis of its operating history during the study period rather than license vintage alone, consistent with the operational test applied to other classification decisions. For the cultivation-center counts in the Licensing Oligopoly section, Legacy is included among the four IL-MED operators that hold cultivation center licenses. It is treated separately in the brand-to-parent revenue attribution to avoid overstating the incumbent revenue share captured by a post-CRTA market entrant.<sup>54</sup>
- Wana → Canopy Growth (MSO); Wyld → Out-of-State Brand: Wana is owned by Canopy Growth Corporation (MSO) and classified accordingly. Wyld is an independent Oregon-based company that was never acquired by Wana or Canopy Growth; it is classified as an Out-of-State Brand throughout the dataset. Good Tide and Grön, distributed through Wyld's network, are attributed to Wyld. Prior drafts of this analysis incorrectly consolidated Wyld under Canopy Growth; the May 2026 mapping corrects that error.
- AeroPro → The Cannabist Co. (MSO): AeroPro appeared in licensing records associated with The Cannabist Co. (formerly Columbia Care). AeroPro may function primarily as a hardware company, but the Cannabist connection places it in the MSO category. Market presence is minimal.
- MariMed (OTCQX: MRMD) is a vertically integrated publicly traded operator with cultivation, processing, and dispensary operations in Massachusetts, Maryland, Ohio, Delaware, and Illinois. MariMed's Illinois operations are conducted through its wholly owned subsidiary Green Growth Group Inc, which holds an Illinois processing and manufacturing license and contracts cultivation through one of the 21 licensed cultivation centers. MariMed does not directly hold an Illinois cultivation center license. All MariMed-owned brands (Betty's Eddies, Bubby's Baked, In House, Nature's Heritage, Vibrations, Kalm Fusion, Binske) are attributed to MariMed as parent in the MSO category.
- Stiizy → Out-of-State Brand: Stiizy partners with in-state manufacturers but no exclusive production partner could be confirmed. Classified as out-of-state.
- Regional MSOs → Out-of-State Brand: Multi-state operators with a regional footprint and negligible Illinois share (roughly 0.5% combined), including Elevate Cannabis, were reclassified as Out-of-State Brand. Their Illinois position does not resemble the major incumbents, and including them in the MSO category would inflate that group's apparent composition without reflecting actual market power.

## Notes

<sup>1</sup>From the press conference introducing the bill, Governor Pritzker said: “We are taking a major step forward to legalize adult-use cannabis and to celebrate the fact that Illinois is going to have the most equity-centric law in the nation. For the many individuals and families whose lives have been changed, indeed hurt, because the nation’s war on drugs discriminated against people of color, this day belongs to you, too.” Chicago Sun-Times, May 4, 2019.

<sup>2</sup>Illinois Department of Financial and Professional Regulation, “Pritzker Administration Announces Cannabis Sales Exceed \$2 Billion Annually,” February 5, 2025.

<sup>3</sup>IDFPR, *supra* note 2

<sup>4</sup>Adult-use revenue and unit volume figures per IDFPR data reported in MJBizDaily, “Illinois cannabis retailers moved more product, but made less money,” MJBizDaily, February 19, 2026. The 2024 adult-use revenue figure of \$1.722 billion is from IDFPR, *supra* note 2

<sup>5</sup>Michigan’s pre-tax cannabis prices are roughly half those in Illinois, and Missouri imposes a flat 6% excise tax with no potency multiplier. Crain’s Grand Rapids Business, “Michigan’s cannabis tax hike could curb border town bargain runs,” October 21, 2025. Also see Mo. Rev. Stat. §§ 1.010–1.040.

<sup>6</sup>Swartz, J.A., Franceschini, D., Giangrande, E., Han, Y., Falso, P., & Schwartz, R. (September 2025). 2025 Illinois Adult-Use Cannabis Health Advisory Committee Annual Report. Chicago, IL: Illinois Department of Human Services, Division of Behavioral Health & Recovery

<sup>7</sup>See Appendix: Key Terms

<sup>8</sup>Nerevu Group, LLC et al., Illinois Adult-Use Cannabis Industry Disparity Study (prepared for the State of Illinois), July 11, 2024, for dispensary ownership composition by operator type.

<sup>9</sup>UChicago Medicine, “Gov. Pat Quinn signs law legalizing medical marijuana,” August 1, 2013. The Compassionate Use of Medical Cannabis Act took effect January 1, 2014.

<sup>10</sup>Robert McCoppin, “Court ruling clears way for 60 new craft cannabis grower licenses in Illinois,” Chicago Tribune, March 16, 2022. Sangamon County Judge Gail Noll lifted the injunction on March 14, 2022, allowing IDOA to proceed with the second round of craft grower licensing after litigation by disqualified applicants had delayed issuance past the statutory December 2021 deadline.

<sup>11</sup>Cannabis Business Times, “No End in Sight? Illinois Craft Grow Applicants Wait in Limbo as Litigation Drags On,” January 18, 2022.

<sup>12</sup>See Appendix: Key Terms

<sup>13</sup>IDFPR, ‘Pritzker Administration announces Record-Setting Year for Adult-Use Cannabis Sales,’ press release, January 6, 2023. See also Disparity Study, *supra* note 8.

<sup>14</sup>The Chicago Reporter, “Six years in, has Illinois’ cannabis equity law delivered?,” January 29, 2026.

<sup>15</sup>Illinois Department of Agriculture, Division of Cannabis Regulation, Cannabis Business Data: Cultivation Centers. Accessed April 2026

<sup>16</sup>Headset, Inc., Illinois Adult-Use Retail Point of Sale (POS) Panel Data, Q1 2022–Q4 2025, accessed and prepared by Cannabis Wise Guys, May 2026.

<sup>17</sup>Quarterly data series: IL RevShare Quarterly (revenue and unit share by category), IL HHI Quarterly (HHI, CR4, brand and parent counts), IL Flower Eighth Pricing (eighth prices by category), IL Q4 2025 Snapshot (point-in-time composition), IL Brand-Parent Crosswalk (brand-to-parent mapping), IL Parent Rankings Quarterly (revenue rankings by parent). All datasets dated May 21, 2026. See appendix, Data Sources, for access and availability terms.

<sup>18</sup>Secretariat Economists, “Competition and Market Structure of the U.S. Cannabis Industry,” April 7, 2026

<sup>19</sup>The sole exception is a nonprofit rehabilitation organization in Shelbyville that operates roughly 23,500 square feet of its 210,000-square-foot license. SCCS Solutions Corporation, a Shelby County Community Services affiliate, holds the license. Canadian MSO Red White & Bloom announced a definitive agreement to acquire the license in December 2020 but abandoned the transaction in April 2022 as part of a company-wide restructuring. Globe Newswire, “Red White & Bloom Completes Company-wide Restructuring,” April 20, 2022.

<sup>20</sup>IDOA, Cannabis Business Data: Cultivation Centers, accessed April 2026. The 16/4 breakdown reflects the operator classifications defined in the appendix. Cresco holds three cultivation center licenses; GTI holds two; Verano, Curaleaf, Ascend, The Cannabist Co., 4Front, Revolution Global, PTS, Justice Cannabis Co., Aeriz, Acreage Holdings, and PharmaCann each hold one (16 total MSO). Legacy, Bedford Grow, nuEra, and Nature’s Grace and Wellness each hold one (4 total IL-MED). The remaining license is held by SCCS Solutions Corporation. See appendix, Cultivation Center License Mapping, for full details.

<sup>21</sup>GTI holds two active cultivation center licenses in Illinois. IDOA, Cannabis Business Data: Cultivation Centers, accessed April 2026. See appendix for detailed calculations.

<sup>22</sup>For each cultivation center, we found information about facility size, rather than canopy space. While the law allows for up to 210,000 square feet of flowering canopy, most facilities may not use all the space allotted for flowering canopy.

<sup>23</sup>Avinash Dixit, “The Role of Investment in Entry-Deterrence,” Economic Journal 90, no. 357 (1980): 95–106.

<sup>24</sup>410 ILCS 705/15-15 (Early Approval Adult Use Dispensing Organization License; same site); 410 ILCS 705/15-20 (Early Approval Adult Use Dispensing Organization License; secondary site). The secondary site was required to be within the same BLS Region as the primary location but not within 1,500 feet of the primary site or another dispensary.

<sup>25</sup>Under the Compassionate Use of Medical Cannabis Program Act, dispensary registrations were allocated by geographic district, and ownership caps limited the number of registrations a single entity could hold. Cresco Labs confirmed it reached the per-entity maximum at five Illinois dispensaries in April 2019. See “Cresco Labs Continues Its Illinois Expansion with Regulatory Approval for Three Dispensaries,” press release, April 11, 2019 (stating that the company “reached the maximum level of dispensaries any single company can own and operate” in the state).

<sup>26</sup>See Regulatory Sequencing, *supra*. By the end of 2022, three years into legal sales, only three of 113 operational adult-use dispensaries were social equity licensees. IDFPR Record-Setting Year, *supra* note 13.

<sup>27</sup>On the competitive effects of beer industry consolidation, see Nathan H. Miller & Matthew C. Weinberg, “Understanding the Price Effects of the MillerCoors Joint Venture,” *Econometrica* 85, no. 6 (2017): 1763–91 (finding that the 2008 MillerCoors joint venture led to price increases of 6–8% for major brands through coordinated pricing with AB InBev).

<sup>28</sup>Cannabis Business Times, “Wana Brands Poised to Serve Illinois Medical Marijuana Patients via Exclusive Licensing Agreement with Grassroots Cannabis,” 2018; Curaleaf Holdings, “Curaleaf Completes Acquisition of Grassroots, Creating the World’s Largest Cannabis Company by Revenue,” press release, July 23, 2020.

<sup>29</sup>Brand-level HHI sums the squared market shares of all 264 active brands, treating each as an independent competitor. Parent-level HHI consolidates brands under common ownership across 79 parent companies. Both are computed from the Headset dataset. The brand-level and parent-level quarterly series is available from the authors on request.

<sup>30</sup>Q3 2025 is the first positive year-over-year change. Series: Q1 2023 (-224.6), Q2 2023 (-227.4), Q3 2023 (-253.2), Q4 2023 (-219.3), Q1 2024 (-231.6), Q2 2024 (-194.4), Q3 2024 (-191.9), Q4 2024 (-139.4), Q1 2025 (-62.9), Q2 2025 (-7.3), Q3 2025 (+22.5), Q4 2025 (+17.1).

<sup>31</sup>State of Ohio ex rel. Yost v. Ascend Wellness Holdings et al., No. 26-CV-001837, Franklin County Court of Common Pleas, filed February 5, 2026. Defendants include Ascend Wellness, Ayr Wellness, The Cannabist Co., Cresco Labs, Curaleaf, Green Thumb Industries, Jushi, Trulieve, and Verano.

<sup>32</sup>Rebecca Rivas, “Good Day Farm faces second Missouri antitrust lawsuit in two weeks,” *The Missouri Independent*, May 14, 2026. The first lawsuit, filed by Vibe Cannabis and Local Cannabis, alleged that Good Day Farm and its affiliates controlled more than 60 of Missouri’s 224 dispensary licenses through overlapping ownership, management structures, and acquisition agreements. The second, a consumer class action filed in Jackson County Circuit Court, alleged violations of the Missouri Merchandising Practices Act.

<sup>33</sup>For the prior Illinois action, see *True Social Equity in Cannabis v. Akerna Corp.* et al., No. 1:21-cv-03649 (N.D. Ill. 2021).

<sup>34</sup>Unit shares calculated from Headset panel data: total Q4 2025 units sold = 358,602. MSO = 150,731 (42.0%); IL-Independent = 95,941 (26.8%). See IL RevShare Quarterly in appendix.

<sup>35</sup>See The Price Trap section below and IL Flower Eighth Pricing data.

<sup>36</sup>Benesch, Friedlander, Coplan & Aronoff LLP, “Illinois Cannabis Outlook 2025: Where Are We and Where Are We Going?,” February 18, 2026.

<sup>37</sup>Cannabis Regulation Oversight Office, “Meet the Cannabis Team,” <https://cannabis.illinois.gov/about/meet-the-cannabis-team.html>. On the regulatory costs of this fragmentation, see Scott D.H. Redman, “Illinois’ Costly and Complex Cannabis Regulation Law Needs a Significant Overhaul,” *Crain’s Chicago Business*, January 12, 2026; Benesch LLP, *supra* note 36.

<sup>38</sup>Financial Regulation: Complex and Fragmented Structure Could Be Streamlined to Address Challenges, GAO-16-175 (February 2016)

<sup>39</sup>Benesch LLP, *supra* note 36.

<sup>40</sup>410 ILCS 705/55-21(e)(1); 8 Ill. Admin. Code 1300.930. See also Cannabis Regulation Oversight Office, “Packaging and Labeling FAQ” (May 2025), which addresses dispensary and cultivator name requirements but does not require parent-company or corporate-affiliation disclosure. The state does not publicly disclose production volumes, wholesale transfer data, or brand-to-manufacturer linkages.

<sup>41</sup>Cannabis Cultivation Privilege Tax: 7% of sales price per ounce, 410 ILCS 705/60-15. Cannabis Purchaser Excise Tax: 10% (THC ≤35%), 20% (infused products), 25% (THC >35%), 410 ILCS 705/65-10. Retailers’ Occupation Tax: 6.25%, 35 ILCS 120/2. Municipalities and counties may impose additional cannabis-specific retailers’ occupation taxes of up to 3% and 3.75% respectively, 65 ILCS 5/8-11-23; 55 ILCS 5/5-1006.8. For a summary of all applicable cannabis taxes, see Illinois Department of Revenue, “Cannabis Taxes,” [tax.illinois.gov](http://tax.illinois.gov).

<sup>42</sup>Governor Pritzker described this premise explicitly at the time of the CRTA’s passage: “The purpose of this legislation is not to immediately make cannabis widely available or to maximize product on the shelves. Instead, the defining purpose of legalization is to maximize equity.”

<sup>43</sup>Disparity Study, *supra* note 8. Tables I-3 and I-4. M/WBEs held 59.0% of adult-use dispensary licenses but captured 12.5% of adult-use dispensary sales during the January 2020 - January 2023 study period.

<sup>44</sup>Office of Governor JB Pritzker and Illinois Department of Commerce and Economic Opportunity, “Governor Pritzker Awards 95 Loans to Licensed Social Equity Cannabis Businesses Across All License Types,” press release, April 20, 2026.

<sup>45</sup>John Schroyer, “Why Illinois cannabis business licenses sit unused,” *Crain’s Chicago Business*, July 2025; see also *The Chicago Reporter*, *supra* note 14 (noting startup costs “can total \$2 million”).

<sup>46</sup>Disparity Study, *supra* note 8.

<sup>47</sup>Disparity Study, *supra* note 8.

<sup>48</sup>Swartz et al., *supra* note 6, pp. 166-168.

<sup>49</sup>Disparity Study, *supra* note 8.

<sup>50</sup>410 ILCS 705/15-70(p)(5) (prohibiting a dispensary from entering “into an exclusive agreement with any adult-use cultivation center, craft grower, or infuser” and requiring that “inventory available for sale at any dispensary from any single cultivation center, craft grower, processor, transporter, or infuser entity shall not be more than 40% of the total inventory available for sale”)

<sup>51</sup>Disparity Study, *supra* note 8.

<sup>52</sup>Disparity Study, *supra* note 8.

<sup>53</sup>IDOA, Cannabis Business Data: Craft Growers, accessed April 2026.

<sup>54</sup>Grove Bags, “Behind the Bag with Legacy Cannabis,” interview with Ryan Hedrick, Chief Cannabis Officer, April 19, 2024; IDOA, Cannabis Business Data: Cultivation Centers, accessed May 2026.